



STEVE POIZNER
Insurance Commissioner
California Department of Insurance

RUBEN GRIJALVA
Director
California Department of Forestry
& Fire Protection (CAL FIRE)

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU) establishes a partnership between the California Department of Insurance, Steve Poizner, Insurance Commissioner and the California Department of Forestry and Fire Protection (CAL FIRE), Ruben Grijalva, Director in the prevention and mitigation of fire losses in California.

I. BACKGROUND

The California Department of Insurance (CDI) regulates California's \$118 billion insurance industry, the fourth largest insurance market in the world. Among his many duties, the Insurance Commissioner oversees the activities of all fire, homeowner, and other insurance products, which are intended to protect the public and businesses from losses, including losses caused by wildfire. One of Insurance Commissioner Poizner's primary objectives is to increase public awareness of the value of disaster preparation and mitigation for all types of disasters, including destructive wildfires. The Insurance Commissioner is committed to ensuring that fire insurance coverage is both affordable and available to those who need it most.

CAL FIRE/State Fire Marshal's (SFM) office provides Californians with a wide variety of public safety services including fire protection, fire prevention, law enforcement, code enforcement, arson/bomb response, hazardous liquid pipeline safety and product safety. The mission of the CAL FIRE/SFM is to protect life and property through the development and application of fire prevention engineering, education and enforcement. The CAL FIRE/SFM office is actively engaged in seeking new ways to approach the wildfire problem and bring additional resources, programs, and partnerships to bear on reducing loss and costs.

Facts at a glance:

- The number and degree of wildfire losses are increasing in California decade by decade.
- Each year, over \$100 million is being spent in the suppression efforts and more in the disaster recovery phases of these catastrophic natural and/or human caused hazards, but the losses continue to mount.

- Hundred of thousands of acres within the wildland-urban interface burn each year.
- Thousands of homes, businesses and other structures are damaged or destroyed each year by wildfires, resulting (on average) in more than \$200 million in annual property damage.
- Many of these fires result in injury and/or death to fire department and law enforcement personnel, and members of the public.
- In the 2003-2004 wildfire sieges, CAL FIRE's fire suppression costs exceeded \$252.3 million; property damage costs exceeded \$974 million; 5,394 structures were destroyed; and more than 23 people lost their lives as a result of California wildfires.
- More than 5 million homes are currently located in California's wildland-urban interface. As more homes are built within these areas, the danger to life and property will continue to increase, unless significant action takes place to prevent these fires or mitigate the damage and injury caused by fire.

II. COLLABORATIVE MISSION

Together, the California Department of Insurance Commissioner and CAL FIRE Director, enter into this MOU to mutually promote an increased awareness and collaboration among fire officials, the insurance industry and the public in the prevention and mitigation of fire losses. Accordingly, the California Insurance Commissioner and CAL FIRE Director, agree to collaborate on the following goals:

- Reduce the risk that wildfires will cause in the loss of life or large-scale property damage/loss.
- Increase awareness of fire officials, the insurance industry and the public on methods and ways to prevent and mitigate fire losses.
- Increase incentives for homeowners, businesses, and insurance companies to actively prevent and mitigate fire risks.
- The Department of Insurance will facilitate obtaining comments/suggestions on the concepts contained herein, from representatives of the California insurance industry with the end goal of receiving their endorsement on this collaborative venture.

Unless otherwise agreed, each organization of this MOU is responsible for its own expenses related to this MOU. There will be no exchange of funds between the parties for tasks associated with this MOU.

III. SCOPE OF COLLABORATION

In addition to as yet unknown/other pertinent efforts, that may be agreed upon, the California Insurance Commissioner and CAL FIRE/SFM agrees to collaborate on the following projects:

1. Public Awareness Campaign - Prevention and Mitigation

The public may realize several benefits of prevention and mitigation of wildfires which include: (1) a direct reduction in the risk of property damage, death or injury caused by fire, (2) increased availability and affordability of homeowners', business and other insurance products; and (3) increased level of insurance coverage resulting in fewer out-of-pocket expenses to rebuild after a fire.

Accordingly, the California Insurance Commissioner and CAL FIRE Director agree to collaborate on development of an outreach program targeted to residents and businesses located in the wildland-urban interface. The parties also agree to work closely on outreach projects with other organizations committed to fire safety, prevention and mitigation, such as, the California Fire Safe Council and others.

2. Insurance Company Education - Wildfire Risk and Mitigation Courses

In cooperation with the California Department of Insurance, the CAL FIRE/SFM will examine the feasibility and value in offering to insurers managing property business in California, a one-day course (brought to the insurers regional offices) targeting appropriate wildfire risk assessment and property mitigation strategies in California to:

- Educate policy makers, underwriters and property inspectors.
- Share best practices that promote fire-safe living in the Wildland-Urban Interface (WUI) as outlined within building codes and standards.
- Teach effective mitigation strategies that (when applied) would significantly reduce the risk level and serve to increase the comfort level of insuring property within the wildland-urban interface.

This course would be offered to all personal/commercial property insurers writing business policies in California. CAL FIRE/SFM subject matter expert staff will provide the instruction to the insurer's audience. The Insurance Commissioner's Office will assist in the review of course materials and facilitation of the courses.

3. Review of Fire Insurance Risk Models

The development of a property's fire insurance premium by an insurer commonly includes a factor representing the proximity and effectiveness of public fire suppression capabilities. It also commonly includes an interest in the type of fire department (on-duty, public safety officers or volunteer), nearest fire station to the risk, type of response (pump and aerial apparatus, emergency medical, etc.) from the closest fire station and the availability of an effective water supply. Insurers often attempt to obtain this information through direct contact with the fire department providing services to the risk in question. This is a cumbersome process relying upon the availability and cooperation of the fire department.

CAL FIRE/SFM currently maintains a small internal division that manages the National Fire Database Reporting System California inputs. Partnering with the insurance industry and expanding the purpose of this division to serve the data and analytical needs of both the California fire service and insurers through the creation of a statewide emergency services database would greatly enhance information-sharing and risk assessment.

Risk Mitigation Mapping is an obvious "next generation" activity for California. As a State, we have advanced to the point where we are able to define and map hazard areas for a variety of natural hazards (wildfire, flood, seismic), but we have yet to quantify mitigation effectiveness, collect that information, and display it in conjunction with the underlying hazard. This tool, more than any other, will demonstrate the effect of the actions we are taking collectively to mitigate risk.

A partnership with fire prevention/protection and insurance is a solid starting point for this improvement since both are directly founded upon risk mitigation. This effort would start with pilot project(s) to create the databases, quantify the hazard and effective mitigations through a weighted-values assessment methodology, acquisition and compilation of Geographic Information Systems (GIS) data for graphical display, on-site assessments, and continuing analysis. A two-year pilot project will develop sufficient templates and process assessments from which to propose a statewide effort.

4. California's Fair Access to Insurance Requirements Plan (FAIR Plan)

Established by the Legislature in 1968, one of the California FAIR Plan's objectives is to, "...assure the availability of basic property insurance...to properties ...for which basic property insurance cannot be obtained through the normal insurance market". A large portion of these properties are in the program because of their exposure to the brush fire hazard found in the wildland-urban interface.

California Insurance Code Section 10090-10100.2 appears to support the individual risk inspection and improvement statements for many properties located within wildfire risk areas. However, may be missing the input of the subject experts to assist in the correct assignment of the assessment of risk as well as the communication of preferred risks to insurers. The current inspection

forms used by the inspection bureau(s) may not have incorporated a complete knowledge base conforming to national best practices and appear to focus only upon the distance to the hazardous brush with no attention to the impact of flying embers. There appears to be a need for guidelines for properties located within areas exposed to wildfires other than brush (primarily Central & Northern California). CAL FIRE/SFM has significant expertise in all types of wildland fire that takes advantage of scientific studies, codes and standards, and results from post fire studies.

CAL FIRE/SFM in cooperation with the Department of Insurance will work with the governing committee of the California FAIR Plan Association to analyze whether the current inspection form and inspection procedures are appropriate to use to measure a property's risk to loss by a wildland fire; and, if needed, work collaboratively to improve the form and the inspections procedures used by the FAIR Plan. Following approval of the form, the CAL FIRE/SFM will provide training and certification of the inspection bureau staff to encourage a consistent and fair application of the inspection criteria. By utilizing the CAL FIRE/SFM expertise in the property review it can be expected that a proper assessment of the risk coupled with utilization of the guidance to mitigate the exposure will reduce the structure and life loss potential of a wildland fire event.

5. Damage Assessment

Both CDI and CAL FIRE perform damage assessment functions immediately after a catastrophic wildfire. A review of this process may reveal strategies to partner before, during, and after large and damaging wildfires. Providing faster access to CAL FIRE's fire activity information/data bases may assist CDI in planning for resource deployment during fires. The Office of Emergency Services (OES) may be a natural partner in this as they also conduct a damage assessment process for disaster declaration requirements. A timely, more efficient damage assessment process provides better service levels to the affected victims and local communities, speeds the recovery effort, and allows for enhanced fraud enforcement. The California Insurance Commissioner and CAL FIRE Director agrees to examine each agency's respective damage assessment functions to determine where a sharing of damage assessment data is appropriate and valuable.

IV. ORGANIZATION CONTACTS

Both the California Insurance Commissioner and the CAL FIRE Director will appoint a person to serve as the official contact to coordinate the activities of each organization in carrying out this MOU. The initial appointees of each organization are:

Department of Insurance: Tony Cignarale, Deputy Commissioner
Consumer Services & Market Conduct Branch
300 S. Spring Street
Los Angeles, CA 90013
(213) 346-6360
cignaralea@insurance.ca.gov

CAL FIRE: Kate Dargan, State Fire Marshal
State Fire Marshal's Office
1131 "S" Street
Sacramento CA, 95814
(916) 445-8434
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V. AUTHORIZATIONS

On behalf of the organization I represent, I wish to sign this Memorandum of Understanding (MOU) establishing a partnership between the California Department of Insurance and the California Department of Forestry and Fire Protection (CAL FIRE) in the prevention and mitigation of fire losses in California; and contribute to its further development.

SIGNATURE ON FILE

Steve Poizner, California Insurance Commissioner
California Department of Insurance

Date: **10/15/07**

SIGNATURE ON FILE

Ruben Grijalva, Director
California Department of Forestry & Fire Protection (CAL FIRE)

Date: **10/15/07**